

Message Text

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ORIGIN PM-03

INFO OCT-01 NEA-06 ISO-00 ABF-01 A-01 SS-15 DODE-00

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FM SECSTATE WASHDC

TO AMEMBASSY TEHRAN

S E C R E T STATE 239685

E.O. 11652:GDS

TAGS:PFOR, MASS, IR, US

SUBJECT:GAO FINAL REPORT

REFS: A. TEHRAN 8905

B. TEHRAN 8994

1. GAO HAS PROVIDED DEPARTMENT WITH COPIES OF FINAL REPORT
ENTITLED ISSUES RELATED TO U.S. ASSISTANCE TO IRAN. COPY
BEING POUCHED SEPARATELY.

2. REPORT RECOMMENDS THAT THE SECRETARY OF STATE:

A. CONTINUE EFFORTS TO COLLECT PAST DUE LEND-LEASE PURCHASE
AGREEMENTS, AND OTHER DEBTS.

B. REACH AGREEMENT WITH IRAN ON PAYMENT OF MILITARY MISSION
COSTS WITH DUE CONSIDERATION FOR:

(I) DIFFERENT CONDITIONS AND RELATIONSHIPS BETWEEN NOW AND
THE DATE OF ORIGINAL AGREEMENTS, AND

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(II) THAT PORTION OF MAAG COSTS THAT MAY NOT OTHERWISE BE REIMBURSED AS FMS ADMINISTRATION COSTS.

3. DEPARTMENT IS REQUIRED TO SUBMIT A WRITTEN RESPONSE IN NEAR FUTURE TO VARIOUS CONGRESSIONAL COMMITTEES OF THE

ACTION TAKEN WITH RESPECT TO THE TWO GAO RECOMMENDATIONS CITED ABOVE. WHEREAS REFTELS A AND B OUTLINE RECENT STATUS ON BOTH MATTERS, WE INVITE ANY SUPPLEMENTAL VIEWS YOU MAY WISH INCORPORATED IN DEPARTMENTS RESPONSE TO COMMITTEES.

4. AS BACKGROUND YOU SHOULD BE AWARE THAT THE DEPARTMENT HAD PREVIOUSLY COMMENTED IN JULY TO GAO ON TWO SIMILAR RECOMMENDATIONS CONTAINED IN THE GAO DRAFT REPORT.

A. THE UNITED STATES AMBASSADOR TO IRAN AND MEMBERS OF HIS STAFF HAVE REPEATEDLY RAISED THE ISSUE OF THE LEND-LEASE PURCHASE AGREEMENTS AND OTHER DEBTS WITH SENIOR IRANIAN OFFICIALS, INDICATING CONGRESSIONAL CONCERN, AND IMPRESSING UPON THESE OFFICIALS THE NEED TO BRING THIS MATTER TO AN EARLY CONCLUSION. WHEREAS THERE HAS BEEN NO CONCRETE PROGRESS TOWARD SETTLEMENT OF THESE DEBTS SINCE OUR PROPOSAL OF SEPTEMBER 1972 WAS SUBMITTED TO THE GOVERNMENT OF IRAN AND AGAIN FORMALLY RENEWED IN DECEMBER 1973, MOST RECENTLY ON MAY 13, 1974, OUR AMBASSADOR DISCUSSED THIS PROBLEM WITH THE NEW IRANIAN MINISTER OF ECONOMICS AND FINANCE, PROVIDING HIM WITH A COPY OF OUR SETTLEMENT PROPOSAL. THE MINISTER HAS PROMISED TO STUDY THE PROBLEM AND AGREED TO THE PROPOSITION THAT WE SHOULD MOVE PROMPTLY TO TRY TO REMOVE THIS IRRITANT FROM U.S.-IRANIAN RELATIONS. THE DEPARTMENT IS HOPEFUL THAT AS A RESULT OF THESE RECENT DISCUSSIONS THAT THE MATTER OF IRANIAN DEBTS IS FINALLY ON TRACK.

B. THE DEPARTMENT OF STATE, IN COORDINATING WITH THE DEPARTMENT OF DEFENSE, IS PREPARED TO NEGOTIATE WITH IRAN AN AMENDMENT TO THE AGREEMENTS ESTABLISHING ARMISH-MAAG AND GENMISH UNDER WHICH IRAN WOULD PAY ALL COSTS OF THESE ADVISORY MISSIONS AND OF THOSE SUPPORT FUNCTIONS CONTRIBUTING TO THE WORK OF THE MISSIONS. A DRAFT OF THIS PROPOSED

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AMENDMENT IS NOW IN FINAL STAGES OF CLEARANCE. INGERSOLL

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